

**CITY OF MORGAN HILL
JOINT SPECIAL AND REGULAR CITY COUNCIL
AND SPECIAL REDEVELOPMENT AGENCY MEETING
MINUTES – NOVEMBER 2, 2005**

CALL TO ORDER

Mayor/Chairman Kennedy called the special meeting to order at 6:02 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Grzan, Sellers, Tate and Mayor/Chairman Kennedy

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council and Redevelopment Agency Action

CLOSED SESSIONS:

Interim City Attorney/Agency Counsel Siegel announced the below listed closed session items:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority:	Government Code Sections 54956.9(b) & (c)
Number of Potential Cases:	3

2.

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Authority:	Government Code Section 54956.9(a)
Case Name:	Berkman v. City of Morgan Hill et al.
Case Number:	Santa Clara County Superior Court, 1-04-CV-031021
Attendees:	John Flegel

3.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority	Government Code 54957
Public Employee Performance Evaluation:	City Manager
Attendees:	City Council, City Manager

OPPORTUNITY FOR PUBLIC COMMENT

Mayor/Chairman Kennedy opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor/Chairman Kennedy adjourned the meeting to Closed Session at 6:03 p.m.

RECONVENE

Mayor/Chairman Kennedy reconvened the meeting at 7:00 p.m.

CLOSED SESSION ANNOUNCEMENT

Interim City Attorney/Agency Counsel Siegel announced that no reportable action was taken in closed session and that the Council would be returning to closed session following agenda item 13.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

CITY COUNCIL REPORT

Council Member Sellers reported on the Valley Transportation Authority (VTA), indicating that a meeting was recently hosted in Morgan Hill attended by Santa Clara County Board of Supervisor Gage, City of Gilroy Mayor Pinheiro, and City staff to discuss key issues relating to the ¼ cent sales tax being considered by VTA next year. He stated that this was a very productive meeting and that those in attendance were able to come up with specific items germane to the discussion, vital to South County, and would meet the long term transportation needs of the region. He indicated that VTA has decided to delay the discussion on the final consideration of the ¼ cent sales tax at the Board level until such time there is further input. He felt this to be a wise decision, on their part, in taking the time to make sure that needs are considered. He stated his appreciation of Mayor Kennedy's leadership in this effort. He indicated that he is the chair of the Economic Development Committee. He noted that the Council will be considering some options about current and future uses of the Redevelopment Agency. He indicated that the Council has identified economic development as a key element of the City's activities and that it is vital to the overall long term health of the City of Morgan Hill. He said that the Committee is trying to address some of the immediate issues as well as looking at longer term economic development goals; working closely with staff as well as members in the community who have expressed an interest in this effort, particularly the Chamber of Commerce. He said that the Committee is starting to put together a key economic development plan outline to be brought back to the Council at a future date.

CITY MANAGER REPORT

City Manager Tewes reported on perchlorate issues; indicating that the City has been anxiously awaiting the results of testing the Olin Corporation has undertaken on four monitoring wells north and east of the Olin site. He indicated that Olin has recently submitted the results. He has reviewed 11 pages of the report which indicate that Olin states that there is a north/east flow from their site in the deep aquifers. However, they go on to state that they do not believe that perchlorate, in the deep aquifers, is not theirs. He said that Olin intends to make a presentation to the perchlorate citizens' advisory group this week. He informed the Council that City staff and the City's consultants will be in attendance; raising a series of questions about the report. Staff expects that Olin will not respond on the advice of their counsel.

Staff will pose the same questions to the Regional Water Quality Control Board in hope that they will finally declare Olin a discharger for that portion of the basin north of Tennant Avenue.

CITY ATTORNEY REPORT

Interim City Attorney Siegel stated that he did not have a report to present this evening.

OTHER REPORTS

PUBLIC COMMENT

Mayor/Chairman Kennedy opened the floor to public comments for items not appearing on this evening's agenda.

Mayor Kennedy announced the Rebecca Children Services' Festival of Trees event to be held on December 2 at 6:00 p.m. at Bonfonte Gardens. He stated that he would like to bring this event to Morgan Hill next year. However, good attendance is needed from Council Members and residents in order to bring the event back to the Community & Culture Center as it is a wonderful addition to the center. He stated that he would try to see if he can get sponsors to help pay for the cost of elected members to attend this event. He encouraged members of the public to attend this event at Bonfonte Garden as it supports Rebecca Children's Home in Gilroy.

No further comments were offered.

City Council Action

CONSENT CALENDAR:

Council Member Grzan requested that item 7 be removed from the consent calendar.

Action: *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) **Approved** Consent Calendar Items 1-6 and 8-12, as follows:*

1. **RE-BUDGETING 2004-2005 PROJECTS/PROGRAMS**

Action: **Approved** *the Re-Budgeting of 2004-2005 Project/Program Costs in the 2005-2006 Budget.*

2. **APPROVE PURCHASE ORDER FOR EQUIPMENT AND LABOR FOR THE NEW POLICE FACILITY**

Action: **Authorized** *the City Manager to Approve a Purchase Order in the Amount of \$7,841.27 to Verizon Telephone Company for the Additional Cost of the Installation of Upgraded Phone Equipment and Labor to Complete the Project at the New Police Facility.*

3. **APPROVAL OF A RESOLUTION IN SUPPORT OF GUIDELINES AND STANDARDS FOR LAND USES NEAR STREAMS AND THE 2005-2006 IMPLEMENTATION PROGRAM OF THE SANTA CLARA VALLEY WATER RESOURCES PROTECTION COLLABORATIVE**
*Action: **Adopted** Resolution No. 5955 in Support of the Guidelines and Standards for Land Uses Near Streams and the 2005-2006 Implementation Program of the Santa Clara Valley Water Resources Protection Collaborative.*
4. **AWARD FARALLON DRIVE STORM DRAIN SYSTEM AND MISCELLANEOUS STORM DRAIN REPAIR PROJECT**
*Action: 1) **Awarded** Contract to Casey Construction for the Construction of the Farallon Drive Storm Drain System and Miscellaneous Storm Drain Repair Project in the Amount of \$347,685, Subject to Review and Approval by the City Attorney; and 2) **Authorized** Expenditure of Construction Contingency Funds, Not to Exceed \$34,768.*
5. **RESOLUTION SUPPORTING AHWAHNEE WATER PRINCIPLES FOR RESOURCE-EFFICIENT LAND USE**
*Action: **Adopted** Resolution No. 5956.*
6. **PURCHASE OF REPLACEMENT PHOTOCOPIER AND A PRINTER FOR COMMUNITY DEVELOPMENT DEPARTMENT**
*Action: 1) **Authorized** the Purchase of a New Copier and a Color Printer for the Community Development Department through Rabbit Office Automation for a Total Cost of \$29,023; 2) **Declared** the Existing Photocopier as Surplus and **Authorized** Disposal by the Purchasing Officer; and 3) **Authorized** the City Manager to Execute the Maintenance Agreement, Subject to Review and Approval by the City Attorney.*
8. **ADOPT ORDINANCE NO. 1741, NEW SERIES**
*Action: **Waived** the Reading, and **Adopted** Ordinance No. 1741, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A PLANNED UNIT DEVELOPMENT (PUD) FOR A 2.94-ACRE PARCEL LOCATED AT THE NORTHWEST CORNER OF MAST STREET AND RAILROAD AVENUE TO ALLOW CONCRETE BATCHING PLANTS AS A PERMITTED USE IN THE PUD AND SILOS UP TO 70 FEET IN HEIGHT (APN 817-02-064) (ZA-05-06: CITY OF MORGAN HILL – MAST STREET PUD DISTRICT AMENDMENT).***
9. **ADOPT ORDINANCE NO. 1742, NEW SERIES**
*Action: **Waived** the Reading, and **Adopted** Ordinance No. 1742, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1707, NEW SERIES, AMENDING THE DEVELOPMENT***

AGREEMENT FOR APPLICATION MP-04-02: Monterey – South County Housing (Royal Court) (APNs 764-12-008, -009, -018, & -019) (DAA-04-07: MONTEREY – SOUTH COUNTY HOUSING (ROYAL COURT)).

10. ADOPT ORDINANCE NO. 1743, NEW SERIES

Action: Waived the Reading, and Adopted Ordinance No. 1743, New Series, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTION 18.04.245 OF THE MORGAN HILL MUNICIPAL CODE, ELIMINATING THE STREET FRONTAGE REQUIREMENT TO THE LOT DEFINITION, AND AMENDING SECTION 18.050.200, ELIMINATING THE RESTRICTION ON TANDEM PARKING FOR REQUIRED PARKING SPACES IN THE R-2, R-3, R-4 AND CC/R ZONING DISTRICTS.

11. ADOPT ORDINANCE NO. 1744, NEW SERIES

Action: Waived the Reading, and Adopted Ordinance No. 1744, New Series, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ADDING ARTICLE IV TO CHAPTER 18.54 (CONDITIONAL AND TEMPORARY USE PERMITS) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL, TO ESTABLISH PROVISIONS FOR DOWNTOWN ADMINISTRATIVE USE PERMITS, AND AMENDING SECTION 18.24.030 TO ALLOW FOR ISSUANCE OF SUCH FOR GROUND FLOOR OFFICE AND PERSONAL SERVICE USES LOCATED ALONG MONTEREY ROAD AND THIRD STREET.

12. JOINT SPECIAL & REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES OF OCTOBER 19, 2005

Action: Approved as submitted.

7. APPROVE MARKETING STUDY TO EVALUATE POSSIBLE PARTNERSHIP OPERATING MODEL FOR THE INDOOR RECREATION CENTER (IRC)

Interim Recreation and Community Services Manager Cooper presented the staff report, indicating that staff recommends a study be conducted on the numbers generated by the proposal to see if the numbers are valid. If valid, that would be the time for the Council to discuss the merits of the proposal. Until such time the City completes a marketing study that validates the financial assumptions being made, staff believes it to be premature to move forward with this particular proposal. In response to Council Member Grzan's inquiry, he indicated that it is staff's intent for the study to verify the numbers contained in the new model. He noted that the new model reflects good figures and that before staff moves forward with these figures, staff would need to verify the assumptions are correct.

Council Member Grzan noted that it is being stated that there would be approximately \$700,000 generated in additional revenues with the new model. He inquired as to the main impetus for the

increased revenue. He noted that staff has identified that adult daily and adult senior fees are proposed at \$7 and \$5. He inquired whether these were the fees to be held to under both models. He inquired whether there were overhead expenses that would be a part of the YMCA that were included and whether there were financial benefits in partnering with the YMCA.

Mr. Cooper indicated that the additional revenue would be attributed to increased fees and participation. He explained that there is a lot more revenue coming in on swimming lessons than was previously generated. He stated that there is additional revenue attributed to annual and day passes as compared to the other model. He said the City would not be competing against the aquatics center and did not want to cannibalize one swimming center over the other. Staff would make sure that the appropriate scheduling is identified to keep this from happening. He clarified that the \$75,000 is the current number being used by the YMCA for the senior program. This is not new money and would be transferred to the senior programming at the IRC facility. The \$80,000 identified as reserves would be used for future repairs and maintenance. He indicated that it is proposed to charge \$7 adult daily fees and \$5 adult senior fees. However, staff needs to test the models and felt that it was premature to commit to these fees until a third party reviews the numbers. He indicated that there would be overhead expenses, on the YMCA's part, that would be included in the numbers. He said that this amount has been figured into the budget. He noted that the new model is better than 100% cost recovery after the first year. It is staff's belief that this would equate to approximately \$80,000. He felt that there were financial advantages in partnering with the YMCA. However, benefits in partnering with the YMCA needs to be tested. He felt that the YMCA is fiscally good at breaking even with their facilities. Staff is trying to bring both strengths to the table in one proposal. He felt the City could manage the facility as well as the YMCA. He also felt that the YMCA is a good entrepreneur and that with the appropriate staffing, staff can be as well. He clarified that these are his opinions at this time and that staff needs to evaluate these opinions to make sure they are correct.

City Manager Tewes informed the Council that staff is not prepared to evaluate the YMCA's proposal. He said that the Committee and staff are indicating their desire to receive additional information before beginning the evaluation process.

Council Member Sellers said that a concern raised, in considering the original study and the IRC, is whether it would be impacted by outside entities. Particularly, the City was considering private facilities that might be built that may or may not be complimentary and/or detrimental to the operations of the IRC. He inquired whether there were plans, in the course of the study, to undertake an evaluation of the impacts by outside entities. He recommended the study include a program level evaluation of what will be complementary or detrimental to the IRC facility. This would provide the Council with quantitative information up front so that it will know, in certainty, whether the uses would be good or bad.

Mr. Cooper said that a new private facility is about to break ground in Gilroy and that staff will explore the impacts of this facility to the IRC.

Mayor Pro Tempore Tate indicated that the Public Safety & Community Services Committee has already asked all questions being asked by Council Member Grzan. He said that this agenda item is requesting Council appropriate funding to move forward with the market study. Once the market study

is completed, the study will be reviewed by the Committee and brought back to the Council, if it can be endorsed.

Action: *On a motion by Council Member Carr and seconded by Council Member Sellers, the City Council unanimously (5-0): 1) **Authorized** the City Manager to Execute a Contract, Subject to Review and Approval by the City Attorney, to Pay for One Half the Cost of a Market Study that would Evaluate the Financial Assumptions Contained in this Proposal; and 2) **Approved** a \$12,000 Increase in the IRC 2005-2006 Budget to Accommodate this Expenditure.*

Redevelopment Agency Action

OTHER BUSINESS:

13. REDEVELOPMENT PLAN AMENDMENT FEASIBILITY STUDY

Director of Business Assistance and Housing Services Toy presented the staff report, indicating that one of the Council's goals for 2005 was to receive a report by November 2005 on options for amending the Redevelopment Plan, including the consideration of the tax increment cap and implementation strategies for addressing remaining blight. He informed the Council that Kathleen Rosenow, Rosenow Spevaceck Group, Inc., was in attendance to make a presentation on the findings from the report and Robin Harris, RWG, was also in attendance to answer Board questions. He indicated that staff is recommending the Agency authorize staff to move forward with a request for proposals (RFP) to retain the services of a firm who would prepare the plan amendment as well as a firm who would conduct the environmental assessment. He said that given the study's findings and the timeframe, it could take up to 12 months to complete. Staff is not asking the Agency to make any determinations on any types of amendments such as projects to build, tax increment caps, or fiscal caps. Staff is recommending the Agency Board confirm that the City will not be pursuing eminent domain for any residential properties. Doing so would not necessitate the establishment of a project area committee; limiting the scope of work for the consultants. He said that staff anticipates that it would take approximately 60-90 days to issue the RFP, select a consultant, and return to the Agency with a recommendation. Staff believes it would return to the Agency in January 2006 with a detailed report as to how the Agency can provide input to staff and address community involvement in the plan amendment process.

Kathleen Rosenow presented a power point presentation on a proposed Redevelopment Plan Amendment Feasibility Study. She informed the Council that the Redevelopment project area was originally formed in 1981 and includes approximately 2,700 acres of property within the boundaries of the city; focusing primarily on the city's commercial corridors. She stated that the Plan was last amended in 1999 in order to increase the tax increment cap along with a few other changes. She indicated that she is coming before the Agency Board with a feasibility study primarily to look at some of the other constraints present in the Redevelopment Plan. She stated that by law, every Redevelopment Plan in the State of California has to include certain limits. She said that some of these limits were in place in 1981 when the Plan was adopted. Others were made requirements by changes in the law that occurred. Currently, the City's Redevelopment Plan has a tax increment collection limit of

\$247 million. She noted that the current plan limits the incurring debt to January 1, 2014. She stated that the land use controls the City put into place would terminate on June 2, 2021 and that the law gives the City an extra 10 years to collect tax increment after the expiration of the effectiveness date of June 2, 2021. The City would have to repay any remaining debt by this time.

Ms. Rosenow informed the Agency Board that the primary reason for the feasibility study is attributed to the fact that staff became aware that the City was getting close to reaching the \$247 million tax increment tax limit. She stated that she looked at three different scenarios for growth in the project area at 3%, 5% and 10%. It was found that in each situation, the cap of \$247 million would be reached in fiscal year 2007-08. She said there is a wide spread of potential revenue: \$670 million under 3% up to \$1.9 billion under a 10% growth rate. Should the City not amend its Plan to increase the \$247 million cap, the City would lose between \$670 million to \$1.9 billion in order to pay for projects that would address some of the blighting conditions in the project area.

Ms. Rosenow indicated that she worked with staff to evaluate some of the projects contained in the Redevelopment Plan and update the list; particularly with regards to updating estimated costs for a number of the projects [e.g., community facilities (\$89 million), street improvements (\$177 million), flood control (\$131 million), water/sewer improvements (\$57 million), groundwater cleanup (\$55 million), economic development (\$37 million). She said that the revised cost would result in approximately \$546 million. She stated that it was likely that a number of the projects would be funded by mixed revenue sources, not necessarily all Redevelopment Agency funds. She indicated that Redevelopment Agency law allows agencies to increase tax increments by going through a Redevelopment Plan amendment process. As part of this process, an agency would need to demonstrate that significant blight remains within the project area and that the blight cannot be addressed without an increase in funding. She said that it was her belief that there is sufficient blighting conditions remaining to warrant an amendment and that the need to complete the project totaled over \$500 billion in costs; justifying the amendment process.

Ms. Rosenow informed the Agency Board that part of the amendment process requires that an agency conforms to the requirements of CEQA. The timeline for a typical amendment to increase the cap would be approximately 6-10 months. She addressed the City's Redevelopment Agency's existing time limit to incur debt, the issue of bonding capabilities, adding eminent domain, and potentially adding territory. She indicated that the City's time limit to incur debt expires on January 1, 2014. Looking at the midrange of a 5% increase, prior to January 1, 2014, it is estimated that the City can receive another \$212 million. After this point in time, the City is estimated to receive an additional \$743 million. She stated that after 2014, when the Redevelopment Agency goes away, the City would recapture a portion of the tax increment to the City's general fund. However, the City could potentially capture approximately \$100 million after 2014, but that approximately \$743 million would be lost to the City in the form of Redevelopment Agency funding. She informed the Agency Board that it is not imperative that a decision, with regard to the elimination of the time limit to incur debt, be made a part of this process as the City has up to the year 2014 to make this decision. However, the City could eliminate this time constraint as part of this amendment process.

Ms. Rosenow informed the Agency Board that redevelopment law also allows redevelopment agencies to issue bonds that are secured by the flow of tax increment. She indicated that the Redevelopment Agency opted not to include the authority to issue bonds as part of the 1999 amendment. She said that it may be prudent to revisit and consider the potential for adding this authority. The law allows tax increment to be paid to a redevelopment agency if there is debt to be paid. She stated that bonds are an efficient way of assuring that there is debt in place. She said that there are certain costs associated with the issuance of bonds; including carrying costs. She stated that the authority for the redevelopment agency to issue bonds is a useful tool because it facilitates earlier implementation of certain projects; offsetting escalating construction and real estate costs. Including this authority in the Plan does not mean the Agency Board has to issue these bonds. It provides the flexibility that would allow a Redevelopment Agency to make this decision as projects come forward.

Ms. Rosenow addressed the authority of eminent domain. She said that research indicates that the Redevelopment Plan included eminent domain power. However, this authority expired. In the 1999 Plan amendment, it was decided not to reinstitute this authority. She stated that the Agency has the option to establish eminent domain throughout the entire project area, or to apply it selectively. She noted that it is not being recommended that the Agency have eminent domain over residential uses. She indicated that this is a flexibility tool for the Agency and that having the authority does not mean that the Agency Board ever has to use eminent domain. If eminent domain is not included in the Agency's plan, a city would not have the option to use this tool should it ever become important.

Ms. Rosenow informed the Agency Board that another potential modification that could occur as part of an amendment process is the addition of new territory to the project area. She indicated that there were sites that were given focus: 1) a segment of Monterey Road right-of-way that was left out and does not have material affect on the Agency; 2) the De Paul Health Center; and 3) the properties that face Condit Road, between Diana and Tennant Avenues, backing to the freeway. She stated that adding territory would lengthen the timeframe for the amendment process (e.g., 12-18 month process). She said that the feasibility study concludes that blight remains in the project area. She informed the Agency Board that redevelopment law does not require that every property be blighted. The threshold is that the blight is significant and cannot be addressed within the existing limits. It was found that there was insufficient funding available now or when the cap is reached to fund the remaining improvements needed. Without action to raise this limit, there would be a significant loss of revenue beginning as early as two years from now. She said that the amendment process could provide the Agency with bonding and eminent domain authority, should the Agency Board decide to include these for consideration.

Agency Member Sellers indicated that it made sense to increase the time limit and include the bonding capabilities. He stated that he was hesitant about considering eminent domain and adding new territory. However, these are options that will be addressed down the road. He inquired how the extension of the timeline for adding territory would work.

Ms. Rosenow said that the Agency Board's option would be to decide to proceed with one amendment that included the additional territory. Therefore, the timing would begin at the beginning of the process. Alternatively, the Agency Board could decide to proceed with the quicker amendment, initially, and then go back and take up the second amendment to add territory. The Council could also simultaneously

process two amendments; finishing one on an earlier schedule and the second one on a later schedule. When you add territories, there are certain windows available. This has to do with the timing of the base year and the noticing requirements an agency needs to abide by. Generally speaking, agencies find that project areas are typically adopted in June or July every year. She felt that it would be difficult to get the process going in time for a June/July 2006 timeline. The Agency Board could proceed with the other amendment within this timeframe and then follow up with the second amendment. Alternatively, the Agency Board can slow down the process and proceed with once process; aiming for a June/July 2007 timeline. However, the issue becomes getting close to the 2007/08 timeframe for losing tax increment funds.

Agency Member Sellers inquired whether the RFP impacts who the Agency Board selects or the scope of work. He inquired whether the Agency Board needs to decide how it wishes to proceed at this time (e.g., consider expanding the boundary).

Ms. Rosenow felt the easiest thing to do is to make the decision as early as possible. Alternatively, the Agency Board could ask the proposers to submit one or two proposals.

Chairman Tate noted that the study addresses potential expansion. However, it does not address a potential contraction. He stated that he would like unblighted areas that can be taken out of the Redevelopment Agency to be identified as part of the study.

Ms. Rosenow stated that there is no requirement to remove unblighted parcels. The removal of part of the project that has successfully developed will have an impact on the level of tax increment and that this can be substantial, depending on how much of the area the Agency Board wants to take out. She said that this issue was discussed at a staff level and that it was concluded that it would be appropriate to delve into these issues, if it was determined necessary, at some point in time. She stated that the ability to get tax increment early in the process is more important to the successful implementation of the project the City wants to complete. Removal of property from a project area would return the property to the tax rolls. As an alternative, the Agency Board could set its limit in such a way that the Board would achieve the same results keeping early tax increment to the Agency to proceed with projects and giving more tax increments at the end of the process.

Chairman Kennedy inquired as to the timeline for the proposals and the start of the specific work.

Executive Director Tewes said that staff would return to the Agency Board within 60-90 days with a recommendation. This timeline would allow ample time for qualified firms to review the RFP and prepare a good proposal for staff evaluation. He indicated that the analysis for adding projects can be identified as options in the proposal. He said that staff would talk to proposers on these issues as well.

Chairman Kennedy opened the floor to public comment. No comments were offered.

Agency Member Sellers felt that this is an important step and that the Redevelopment Agency Board has been good stewards of Redevelopment Agency funds over the last 25 years. He felt that it has been a

well respected and very important tool for the community. He recommended the Agency Board consider its options moving forward.

Action: *Agency Member Sellers made a motion, seconded by Agency Member Carr, to **Authorize** the Executive Director to Issue a Request for Proposal (RFP) for Firms to Prepare a Redevelopment Plan Amendment and the Environmental Assessment Necessary for the Plan Amendment.*

Vice-chair Tate stated that he would not be in favor of expanding the Plan area. Should the Redevelopment Agency decide to move forward with a Plan amendment, he would like to keep the Plan to the same area as well as the same parameters established in 1999. He stated that he would be willing to explore the benefits of bonding. However, he noted that the Agency Board adopted and sold to the public a “pay as you go” process in 1999. He stated that he would need to be convinced that a change is needed. He understands that there are advantages to eminent domain, only on very specific parcels. He felt that the City needs to demonstrate to the public that redevelopment is working and that the City is making progress. He understood the argument of getting the money up front because you have a larger area. He stated that he would like to understand the financial affects associated with removal of unblighted areas from the redevelopment area. When he agreed to renew the redevelopment agency before, he did so with the concept that the City was doing so to accomplish a certain set of goals. Once the goals were completed, the City would be done with redevelopment. He stated that he still believes in this concept and that he would like to see the City work toward this end.

Agency Member Sellers stated that it would be difficult to convince him that it is important to include eminent domain as he felt the Agency Board has done a good job in achieving its goals without it. He noted the study would provide the Agency Board with information. He said that the fundamental issue is financial and whether the Agency can utilize bonds in a way that leverage these dollars in a significant way. He felt that the focus has to be on economic development in the next plan amendment, far more directly and significantly. It was his belief that this has to be done in tandem so that the public knows where the funds will go, should the plan amendment be approved. He felt that there were a lot of options to be considered, and recommended that the report be made as broad as possible so that the Agency Board will have answers to its questions when the report is brought back to the Board.

Director of Business Assistance and Housing Services Toy said that in 60-90 days, staff would return with a recommendation for a firm to assist with the plan amendment and the environmental assessment, as well as a schedule on the process for receiving input from the Agency Board and the community on the plan amendment. He stated that when staff returns with a schedule, the schedule would include dates for project discussions and different types of projects/amendments. In addition to their qualifications, a firm would need to submit a specific proposal as to the costs and what would be done as part of their proposal. He informed the Agency Board that a firm would need to identify how they would address a broad scope of work and how these actions would work. He said that staff has the 1999 scope of work that would be broadened to address the different parameters. He informed the Agency Board that staff will send out the scope of work within the next 2-3 weeks with responses due in 2-3 weeks thereafter. Staff would return to the Council in January 2006 with a recommendation.

Agency Member Carr indicated that he has the same concerns raised by Vice-chairman Tate. He wanted to know how the Agency Board gets the information needed to make decisions. He felt that through the RFP process, the Agency Board would identify a firm to partner with the City in getting the information needed to assist with the decision making process.

Executive Director Tewes did not believe that it would be necessary to identify parameters at this time as staff can work with the Community & Economic Development Committee toward this end. He felt the issue of how to amend the plan is straight forward. However, staff will be looking for proposals that address the issues raised; a proposal that will assist in the evaluation of the pros and cons of bonding, what will be the firm's proposal for documenting remaining blight, etc. He said that these are straight forward requirements under the plan amendment process. He did not believe that in order to keep on the fast track that staff needs to return with a scope of work for Agency Board review/approval, but is possible should the Board wish staff to do so.

Agency Member Grzan said that he has difficulties in applying Redevelopment Agency and blight. In the projects that the Agency Board has reviewed in the past couple of years, he noted the projects have been more recreation oriented. He indicated that he would like to specify a desire that the firms selected have economic background that can enhance the issues in Morgan Hill and strengthen the City's economic infrastructure. He would be looking at a firm that would assist the City in resolving some of these issues.

Executive Director Tewes reminded the Agency Board that the first and primary objective of the Redevelopment Plan is to deal with blighted conditions. Often, a secondary benefit is an economic gain. He indicated that whatever projects are identified, they have a nexus with remaining blight.

Chairman Kennedy recommended that the Agency Board provide the Community & Economic Development Committee its thoughts and input and have the Committee work with staff to include the ideas in the scope of work. This would allow the process to move forward, yet ensure the City does not lose sight or capabilities to address the issues raised. He stated that an important issue for him is to make sure that the Agency Board has the opportunity to add or subtract properties from the plan amendment, keeping this option open as the City goes through the process.

Executive Director Tewes clarified that when staff returns to the Redevelopment Agency Board, staff will provide the Board a schedule that identifies how these issues will be addressed and the timeframe. He further clarified that these issues will not be addressed within the next 60-days. Within the next 60-days, staff will put together a team and return with a sequence of events and schedule of activities that will show the Agency Board precisely how the issues will be raised and answered. He said that there will be several opportunities for Redevelopment Agency Board meetings to address the various issues during the 6-9 month process. Therefore, the Agency Board will be actively engaged as staff develops a plan amendment process; as well as a process for involving the community.

Vote: *The motion carried unanimously (5-0).*

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

RECONVENE TO CLOSED SESSION

Interim City Attorney/Agency Counsel Siegel announced that the City Council/Redevelopment Agency would be reconvening to closed session to discuss closed session item 1 as listed above.

Mayor/Chairman Kennedy adjourned the meeting to Closed Session at 7:58 p.m.

RECONVENE

Mayor/Chairman Kennedy reconvened the meeting at 8:31 p.m.

CLOSED SESSION ANNOUNCEMENT

City Attorney/Agency Counsel announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 8:32 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY